

**HOOD MEMORIAL HOSPITAL**  
**BASIC FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/6/11

**BEVERLY A. RYALL**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**BATON ROUGE, LOUISIANA**

## HOOD MEMORIAL HOSPITAL

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**BEVERLY A. RYALL**  
**Certified Public Accountant**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Hood Memorial Hospital  
Hospital Service District No. 2 of  
Tangipahoa Parish, Louisiana

I have audited the accompanying basic financial statements of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish, a component unit of Tangipahoa Parish, Louisiana) as of and for the years ended September 30, 2010 and 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these basic financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Hood Memorial Hospital as of September 30, 2010 and 2009 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 28, 2011 on my consideration of the Hospital's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

*Beverly A. Ryall*

Certified Public Accountant  
March 28, 2011

**HOOD MEMORIAL HOSPITAL  
AMITE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

This section of the Hospital's annual financial report presents our discussion and analysis of the Hospital's financial performance during the fiscal year that ended September 30, 2010. Please read this document in conjunction with the Hospital's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Hospital's total assets decreased by \$505,960 over the course of this year's operations.
- The Hospital's assets exceeded its liabilities at September 30, 2010 by \$5,304,811 or a decrease of \$634,486 as a result of this year's operations.
- The net patient service revenue decreased by \$617,501 to \$6,530,495 from the prior year's net patient service revenue of \$7,147,996.
- The Hospital's cash and investments decreased by \$409,650 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

These financial statements consist of two sections-Management's Discussion and Analysis, required supplementary information, and the basic financial statements (including the notes to the financial statements).

**BASIC FINANCIAL STATEMENTS**

The basic financial statements include government-wide financial statements that provide both long-term and short-term information about the Hospital's overall financial status. The statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Hospital's net assets and the changes in them. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Hospital is improving or deteriorating.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities as required by GASB 34.

**HOOD MEMORIAL HOSPITAL  
AMITE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

**FINANCIAL ANALYSIS OF THE HOSPITAL**

**Balance Sheets  
September 30**

	<u>2010</u>	<u>2009</u>
Current assets	\$2,771,081	\$3,071,273
Capital assets, net	1,726,555	1,660,603
Other assets, including assets whose use is limited	1,261,930	1,533,650
Total assets	<u>\$5,759,566</u>	<u>\$6,265,526</u>
Current liabilities	\$ 373,616	\$ 326,229
Capital lease obligation, less current portion	81,139	-
Total liabilities	<u>\$ 454,755</u>	<u>\$ 326,229</u>
Net assets		
Invested in capital assets, net of related debt	\$1,628,237	\$1,660,603
Unrestricted net assets	3,676,574	4,278,694
Total net assets	<u>\$5,304,811</u>	<u>\$5,939,297</u>

Net assets of the Hospital decreased by \$634,486 from the prior year or a 10.68% decrease.

**Changes in Net Assets  
Year ended September 30**

	<u>2010</u>	<u>2009</u>
Revenues		
Operating	\$6,641,225	\$7,254,919
Nonoperating	205,120	248,412
Total revenues	<u>6,846,345</u>	<u>7,503,331</u>
Expenses		
Operating	7,480,831	7,672,974
Total expenses	<u>7,480,831</u>	<u>7,672,974</u>
Increase (decrease) in net assets	(634,486)	(169,643)
Net assets-beginning of year	<u>5,939,297</u>	<u>6,108,940</u>
Net assets-end of year	<u>\$5,304,811</u>	<u>\$5,939,297</u>

Total revenues decreased by \$656,986 from the previous year or a 8.76% decrease. Expenses decreased by \$192,143 from the prior year or a 2.51% decrease.

**HOOD MEMORIAL HOSPITAL  
AMITE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

**Capital Assets**

At September 30, 2010, the Hospital had invested \$1,726,555 in a broad range of property and equipment.

**Capital Assets at Year-end  
Net of Depreciation**

	<b>2010</b>	<b>2009</b>
Land	\$ 87,893	\$ 87,893
Construction in progress	-	59,349
Building and improvements	1,227,123	1,110,856
Equipment	411,539	402,505
Total	<u>\$1,726,555</u>	<u>\$1,660,603</u>

The Hospital had major additions of \$322,825 during the fiscal year.

**Debt-Capital Lease Obligations**

At September 30, 2010, the Hospital owed \$98,318 for a capital lease obligation. At September 30, 2009, the Hospital owed no funds for capital lease obligations.

**CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Claude Jones, Jr., Hospital Administrator, (985) 748-9485.

**HOOD MEMORIAL HOSPITAL  
BALANCE SHEETS  
SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 121,885	\$ 262,345
Patient accounts receivable, net of estimated uncollectibles of \$175,000 in 2010 and \$175,000 in 2009	1,920,233	2,209,914
Amounts due from Medicare and Medicaid intermediaries	492,838	354,035
Inventories	214,173	208,287
Prepaid expenses	21,952	36,692
Total current assets	<u>2,771,081</u>	<u>3,071,273</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Board designated funds		
Investments	1,259,572	1,528,762
Accrued interest receivable	1,837	3,117
Total noncurrent assets whose use is limited	<u>1,261,409</u>	<u>1,531,879</u>
<b>PROPERTY AND EQUIPMENT, net</b>	1,726,555	1,660,603
<b>OTHER ASSETS</b>	<u>521</u>	<u>1,771</u>
Total assets	<u><u>\$ 5,759,566</u></u>	<u><u>\$ 6,265,526</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 214,490	\$ 229,038
Accrued salaries and related costs	83,565	70,054
Reserve for estimated claims	25,000	25,000
Amounts due to Medicare and Medicaid intermediaries	33,382	2,137
Current portion of capital lease obligation	17,179	-
Total current liabilities	<u>373,616</u>	<u>326,229</u>
<b>CAPITAL LEASE OBLIGATION, less current portion</b>	<u>81,139</u>	<u>-</u>
Total liabilities	<u>454,755</u>	<u>326,229</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,628,237	1,660,603
Unrestricted net assets	3,676,574	4,278,694
Total net assets	<u>5,304,811</u>	<u>5,939,297</u>
Total liabilities and net assets	<u><u>\$ 5,759,566</u></u>	<u><u>\$ 6,265,526</u></u>

See accompanying notes to financial statements.

**HOOD MEMORIAL HOSPITAL**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Net patient service revenue (net of bad debts of \$1,523,068 in 2010 and \$1,089,362 in 2009)	\$ 6,530,495	\$ 7,147,996
Other	110,730	106,923
Total operating revenues	<u>6,641,225</u>	<u>7,254,919</u>
<b>OPERATING EXPENSES</b>		
Salaries	3,551,377	3,360,739
Employee benefits	661,522	587,281
Supplies, food, drugs, linen	907,508	1,053,183
Professional fees	1,237,679	1,499,988
Purchased ancillary	335,258	325,389
Depreciation	256,873	307,772
Other	30,668	32,957
Maintenance	153,406	150,334
Telephone and utilities	178,084	181,497
Insurance	168,456	173,834
Total operating expenses	<u>7,480,831</u>	<u>7,672,974</u>
Operating loss	<u>(839,606)</u>	<u>(418,055)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	26,519	45,937
Joint venture income	156,498	173,902
Grants	19,955	20,971
Unrealized (loss) gain on investments	3,570	7,919
Interest expense-capital lease	(1,422)	(317)
Total nonoperating revenues (expenses)	<u>205,120</u>	<u>248,412</u>
Increase (decrease) in net assets	(634,486)	(169,643)
Net Assets beginning of the year	<u>5,939,297</u>	<u>6,108,940</u>
Net Assets end of the year	<u>\$ 5,304,811</u>	<u>\$ 5,939,297</u>

See accompanying notes to financial statements.



**HOOD MEMORIAL HOSPITAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Cash received from patients and other third-party payors	\$ 6,712,618	\$ 6,902,765
Cash paid to employees and for employee-related costs	(4,199,388)	(3,934,529)
Cash payments for supplies, services, other operating expenses	(3,015,503)	(3,550,424)
Other receipts from operations	110,730	106,923
Net cash provided (used) by operating activities	<u>(391,543)</u>	<u>(475,265)</u>
<b>Cash flows from noncapital financing activities</b>		
Noncapital grants	19,955	20,971
Net cash provided (used) by noncapital financing activities	<u>19,955</u>	<u>20,971</u>
<b>Cash flows from capital and related financing activities</b>		
Purchases of property and equipment	(221,783)	(129,822)
Joint venture income	156,498	173,902
Principal payments on capital lease obligation	(2,724)	(34,524)
Interest payments on capital lease obligation	(1,422)	(317)
Net cash provided (used) by capital and related financing activities	<u>(69,431)</u>	<u>9,239</u>
<b>Cash flows from investing activities</b>		
Investment income	27,799	45,107
Purchases of assets whose use is limited	(775,035)	(1,300,443)
Proceeds from maturities of assets whose use is limited	1,047,795	1,294,740
Net cash provided (used) by investing activities	<u>300,559</u>	<u>39,404</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(140,460)</b>	<b>(405,651)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>262,345</b>	<b>667,996</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 121,885</u></b>	<b><u>\$ 262,345</u></b>

See accompanying notes to financial statements.

**HOOD MEMORIAL HOSPITAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating loss	\$ (839,606)	\$ (418,055)
Adjustments to reconcile operating income to net cash flows used in operating activities		
Depreciation	256,873	307,772
Changes in operating assets and liabilities		
Patient accounts receivable	289,681	(248,984)
Estimated third-party payor settlements	(107,558)	3,753
Inventory	(5,886)	13,323
Prepaid expenses	14,740	(944)
Other assets	1,250	1,605
Accounts payable, accrued salaries and related costs and other accrued expenses	<u>(1,037)</u>	<u>(133,735)</u>
Net cash provided (used) in operating activities	<u>\$ (391,543)</u>	<u>\$ (475,265)</u>
 <b>Noncash Investing, Capital and Financing Activities</b>		
Increase (decrease) in fair market value of investments	<u>\$ 3,570</u>	<u>\$ 7,919</u>
Capital asset acquired with capital lease obligation	<u>\$ 101,042</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# **HOOD MEMORIAL HOSPITAL**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

Hood Memorial Hospital (the Hospital) is a nonprofit organization created by the Tangipahoa Parish Council (as Hospital Service District No. 2 of Tangipahoa Parish, Louisiana), on November 17, 1964 (re-created on October 19, 1965) under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes. The governing authority of the District is the Tangipahoa Parish Council and accordingly, appoints members to the Hospital Board. The Board exercises all administrative functions with respect to the operation and management of the Hospital.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### **Basis of Accounting**

The Hospital reports in accordance with accounting principles generally accepted in the United States as specified by the American Institute of Certified Public Accountants' *Audits of Providers of Health Care Services* and, as a governmental entity, also reports in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB").

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation.

#### **Investments and Investment Income**

All investments are stated at fair market value based on quoted market prices. Interest and gains and losses, both realized and unrealized, on investments are included in nonoperating revenue when earned.

#### **Patient Accounts Receivable**

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are written off when no payment has been received on the account for 120 days.

# **HOOD MEMORIAL HOSPITAL**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

#### **Allowance for Doubtful Accounts**

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of an account is confirmed. Subsequent recoveries, if any, are credited to the allowance.

#### **Inventories**

Inventories are valued at the latest invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

#### **Assets Whose Use Is Limited**

Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements (over which the Board retains control and may at its discretion subsequently use for other purposes).

#### **Property and Equipment**

The Hospital records all property and equipment acquisitions at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method as follows:

Buildings and land improvements	10-40 years
Fixed equipment	20 years
Major movable equipment	5-20 years

#### **Net Assets**

The Hospital's net assets are classified into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These components are defined as follows:

Invested in capital assets, net of related debt – This component reports capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component reports those net assets with externally imposed constraints on their use by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component reports net assets that do not meet the definition of either of the other two components, "restricted" or "invested in capital assets, net of related debt".

#### **Operating Revenues and Expenses**

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. All peripheral or incidental transactions are reported as a component of nonoperating revenues.

**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**Compensated Absences**

The Hospital does not permit employees to accumulate vacation time. Generally, any days not used at year-end expire.

**Net Patient Service Revenues and Related Receivables**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenues are reported at the estimated net amounts realizable from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Free Care**

The Hospital did not provide free care during the years ended September 30, 2010 and 2009.

**Self-Insured Medical Claims**

The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management accrues its best estimate of probable claim amounts incurred but not reported based on its previous loss experience.

**Reclassifications**

The prior-year financial statements have been reclassified to conform to their current-year presentation.

**2. CASH AND INVESTMENTS**

The composition of assets whose use is limited (board designated funds) at September 30, 2010 and 2009 is set forth below:

	<b>2010</b>	<b>2009</b>
Certificates of deposit	\$1,095,443	\$1,300,443
U. S. Government agency obligations	156,800	198,975
Money market fund	7,329	29,344
Accrued interest receivable	1,837	3,117
Total carrying value (at fair value)	<u>\$1,261,409</u>	<u>\$1,531,879</u>

Louisiana state statutes authorize the Hospital to invest in obligations of the U. S. Treasury and other Federal agencies, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). Statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS CONTINUED**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk.

As of September 30, 2010, the balances reported by financial institutions for cash, certificates of deposit and money market accounts totaled \$1,273,304. Of the \$1,273,304, \$677,861 was covered by federal depository insurance and \$595,443 was collateralized with securities held by the pledging bank in the Hospital's name. At September 30, 2010, none of the Hospital's bank balances were exposed to custodial credit risk.

As of September 30, 2009, the balances reported by financial institutions for cash, certificates of deposit and money market accounts totaled \$1,713,094. Of the \$1,713,094, \$801,138 was covered by federal depository insurance, \$591,548 was collateralized with securities held by the pledging bank in the Hospital's name and \$320,408 was uninsured and uncollateralized or exposed to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in U. S. Government obligations are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. Government. The Hospital had investments in obligations of the U.S. Government with a fair value of \$156,800 and \$198,975 at September 30, 2010 and 2009, respectively.

**3. NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

**Medicare**

Effective April 1, 2003, the Hospital was certified as a Critical Access Hospital. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursement methodology. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under a Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2009.

**Medicaid**

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a pre-determined daily rate. Prior to July 1, 2008, outpatient services rendered to Medicaid program beneficiaries were reimbursed at cost less 17%. Effective July 1, 2008, the Hospital is reimbursed for outpatient services at 110% of costs. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2008.

**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**3. NET PATIENT SERVICE REVENUE CONTINUED**

**Other**

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**4. PATIENT ACCOUNTS RECEIVABLE**

Patient accounts receivable at September 30, 2010 and 2009 consists of:

	<b>2010</b>	<b>2009</b>
Receivable from patients and their insurance carriers	\$1,391,416	\$1,444,550
Receivable from Medicare	575,834	800,065
Receivable from Medicaid	127,983	140,299
Total patient accounts receivable	2,095,233	2,384,914
Less allowance for uncollectible accounts	175,000	175,000
Patient accounts receivable, net	<u>\$1,920,233</u>	<u>\$2,209,914</u>

**5. AMOUNTS DUE FROM (TO) MEDICARE AND MEDICAID**

Amounts due from Medicare and Medicaid at September 30, 2010 and 2009 are as follows:

	<b>2010</b>	<b>2009</b>
Amounts due from Medicare	\$ 106,571	\$ 146,215
Amounts due from Medicaid	386,267	207,820
Total due from Medicare and Medicaid	<u>\$ 492,838</u>	<u>\$ 354,035</u>
Amounts due to Medicare	\$ -	\$ -
Amounts due to Medicaid	33,382	2,137
Total due to Medicare and Medicaid	<u>\$ 33,382</u>	<u>\$ 2,137</u>

**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**6. PROPERTY AND EQUIPMENT**

A summary of property and equipment at September 30, 2010 and 2009 follows:

	Balance September 30, 2009	Additions	Disposals	Balance September 30, 2010
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Land improvements	140,116			140,116
Buildings and improvements	3,220,977	216,307		3,437,284
Equipment	3,845,730	165,867		4,011,597
Construction in progress	59,349		(59,349)	-
Totals at historical cost	7,354,065	382,174	(59,349)	7,676,890
Less: accumulated depreciation for:				
Land improvements	138,203	1,749		139,952
Buildings and improvements	2,112,034	98,291		2,210,325
Equipment	3,443,225	156,833		3,600,058
Total accumulated depreciation	5,693,462	256,873		5,950,335
Property and equipment, net	\$ 1,660,603	\$ 125,301	\$ (59,349)	\$ 1,726,555

	Balance September 30, 2008	Additions	Disposals	Balance September 30, 2009
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Land improvements	140,116			140,116
Buildings and improvements	3,220,977			3,220,977
Equipment	3,775,257	70,473		3,845,730
Construction in progress	-	59,349		59,349
Totals at historical cost	7,224,243	129,822		7,354,065
Less: accumulated depreciation for:				
Land improvements	136,069	2,134		138,203
Buildings and improvements	2,021,800	90,234		2,112,034
Equipment	3,227,821	215,404		3,443,225
Total accumulated depreciation	5,385,690	307,772		5,693,462
Property and equipment, net	\$ 1,838,553	\$ (177,950)	\$ -	\$ 1,660,603

**7. GROUP ANNUITY CONTRACT**

Under the terms of a group annuity contract entered into between American United Life Insurance Company and the Louisiana Hospital Association, eligible employees of the Hospital may enter into an agreement with the Company to contribute 3% of their gross salary to a group annuity contract. The Hospital is then obligated to contribute 5% to the contract (excluding overtime salary). Once the contributions are made, the Hospital has no further liability.



**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**8. CAPITAL LEASE OBLIGATIONS**

For the year ended September 30, 2010, the Hospital executed a capital lease obligation for the purchase of 2 CR readers. For the year ended September 30, 2009, the Hospital paid off a capital lease obligation for the purchase of a CT scanner. Future minimum lease payments, by year, under the capital lease obligation consisted of the following at September 30, 2010:

2011	\$ 24,876
2012	24,876
2013	24,876
2014	24,876
2015	20,732
Total minimum lease payments	120,236
Less amounts representing imputed interest	(21,918)
Present value of net minimum lease payments (including \$17,179 classified as current)	<u>\$ 98,318</u>

For 2010, the cost of leased assets included in capital assets totaled \$101,042 and the related accumulated amortization was \$10,104. For 2009, the cost of leased assets included in capital assets totaled \$654,812 and the related accumulated amortization was \$589,331. The related equipment collateralized the capital lease obligations.

*Changes in Capital Lease Obligations*

Balance - September 30, 2008	\$ 34,524
Additions	-
Payments	(34,524)
Balance - September 30, 2009	-
Additions	101,042
Payments	(2,724)
Balance - September 30, 2010	<u>\$ 98,318</u>

**9. CONCENTRATIONS OF CREDIT RISK**

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Revenues from patients and third party payors were as follows:

	<u>2010</u>	<u>2009</u>
Medicare	32%	38%
Medicaid	25%	23%
All other	43%	39%
	<u>100%</u>	<u>100%</u>

**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**10. MALPRACTICE INSURANCE**

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the first \$100,000 of each claim.

**11. ASSET PURCHASE AGREEMENT AND COOPERATIVE ENDEAVOR OPERATING AND  
LEASE AGREEMENTS**

On June 1, 2004, the Hospital sold the assets of the home health operations to Hood Home Health Service, LLC for \$50,000.

On June 1, 2004, the Hospital became a member of Hood Home Health Service, LLC. The members of the LLC are Louisiana Health Care Group, LLC with a 66.67% ownership and the Hospital with a 33.33% ownership. Under the terms of the agreement, the Hospital has no financial responsibility to the venture although the Hospital may receive quarterly distributions from the venture.

On June 1, 2004, the Hospital entered into a lease agreement with the LLC for the property located at 409-A NW Central Avenue, Amite, Louisiana (formerly the home health operations). The premises were leased for a term commencing on June 1, 2004 and ending on May 31, 2005 and continuing thereafter on a month to month basis until terminated by either party by giving proper notice. Prior to April 1, 2007, the rental was \$2,250.00 per month. Effective April 1, 2007, the rental increased to \$2,750.00 per month.

Transactions for the years ended September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Rental income received	<u>\$ 33,000</u>	<u>\$ 33,000</u>
Distributions from venture	<u>\$156,498</u>	<u>\$173,902</u>

**12. SUBSEQUENT EVENTS**

The Hospital has evaluated all subsequent events through March 28, 2011, the date the financial statements were available to be issued.

**HOOD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS**

**13. GOVERNMENTAL REGULATIONS**

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payers. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

**BEVERLY A. RYALL**  
**Certified Public Accountant**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Hood Memorial Hospital  
Hospital Service District No. 2 of  
Tangipahoa Parish, Louisiana

I have audited the basic financial statements of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish, a component unit of Tangipahoa Parish, Louisiana) as of and for the year ended September 30, 2010, and have issued my report thereon dated March 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Hospital's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Beverly A. Ryall*

Certified Public Accountant  
March 28, 2011

**HOOD MEMORIAL HOSPITAL  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Hood Memorial Hospital.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

NONE

**C. COMPLIANCE WITH STATE LAWS AND REGULATIONS**

NONE

**HOOD MEMORIAL HOSPITAL  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010**

**A. FINDINGS—FINANCIAL STATEMENT AUDIT**

**2009-1 Collateralization**

**NONCOMPLIANCE, SIGNIFICANT DEFICIENCY**

***Condition:***

Louisiana Revised Statue 39:1221 requires that security for deposits must be one of the kinds described in this section; such as bonds or other interest-bearing securities of the United States or any agency thereof; unmatured bonds of the State of Louisiana or any agency, political subdivision thereof; or certificates of indebtedness of any subdivision of the State of Louisiana.

***Finding:***

The security provided by First Bank and Trust was not one of the types of security described in the statue.

***Recommendation:***

The Hospital should review and monitor the collateral provided by various financial institutions.

***Management's Response:***

The Hospital will monitor the kinds of collateral provided by financial institutions. Acceptable collateral was provided by First Bank and Trust upon notification of the deficiency.

***Status***

*The finding was corrected during the current year.*